

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 SSO-00 SS-15 COME-00

TRSE-00 INRE-00 CIAE-00 INR-07 NSAE-00 /040 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 2978

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PASS EXIMBANK FOR VICE CHAIRMAN WALTER SAUER

E.O. 11652: N/A

TAGS: BEXP, BPRO, EFIN, AR

SUBJECT: EXIMBANK FINANCING--AGUA Y ENERGIA DISPATCH CENTERS

REF: BEAL/KINGSLEY TELCON, OCT. 2, 1975

1. APPRECIATE OUR CONVERSATION IN WASHINGTON LAST WEEK. I AM COMMUNICATING WITH YOU TO BRING TO YOUR ATTENTION ONE OF THE CASES WE SPOKE ABOUT AT THAT TIME. TRW CONTROLS OF HOUSTON HAVE REQUESTED EMBASSY TO RAISE WITH EXIM THE POSSIBILITY OF HAVING THEIR PC FOR THE AGUA Y ENERGIA ELECTRICA (AYEE) DISPATCH CENTER RENEWED. ORIGINAL PC EXPIRED AUG. 31 AND ACCORDING OUR INFORMATION EXIM BOARD TURNED DOWN A TRW REQUEST FOR ITS EXTENSION.

2. TRW CLAIMS AND THE EMBASSY CAN SUBSTANTIATE THAT IF FINANCING WERE NOW AVAILABLE THEY WOULD MOST LIKELY BE AWARDED THIS \$6 MILLION DOLLAR CONTRACT. TRW HAS QUOTED A PRICE WHICH IS \$3 MILLION DOLLARS BELOW THAT OF THE OTHER SUPPLIER--SIEMENS OF GERMANY AND AYEE HAS ACKNOWLEDGED THAT TECHNICALLY TRW OFFER SUPERIOR. SIEMENS HAS ASSERTED TO GOA OFFICIALS THAT IT HAS FOUND A WAY OF MAINTAINING THEIR FINANCIAL OFFER; WE PRESUME THAT THEY HAVE THE BACKING OF HERMES.

3. THIS SALE IS PARTICULARLY IMPORTANT BECAUSE OF THE FOLLOW-ON BUSINESS INVOLVED. AYEE WILL TENDER 8 ADDITIONAL LOAD DISPATCH
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CENTERS OVER THE NEXT FEW YEARS. SIEMENS WAS RECENTLY AWARDED

THE NATIONAL DISPATCH CENTER, THE FIRST SUCH CENTER TENDERED BY AYEE. SHOULD SIEMENS WIN THIS BID CONTEST AS WELL, TRW BELIEVES THAT SIEMENS WOULD BE IN A VERY GOOD POSITION TO WALK AWAY WITH THE REST OF THE BUSINESS AS WELL.

4. WE AT THE EMBASSY UNDERSTAND EXIM'S DESIRE NOT TO INCREASE ITS EXPOSURE IN ARGENTINE DURING THIS UNSETTLED PERIOD. HOWEVER, WE BELIEVE THAT THERE ARE SPECIAL CASES SUCH AS THIS ONE WHICH DESERVE CONSIDERATION. TRW HAS SPENT MANY THOUSANDS OF DOLLARS PREPARING FOR THIS CONTEST, AND IN FACT WERE ON THE VERGE OF WINNING IT UNTIL THE BANK WITHDREW ITS FINANCIAL SUPPORT. THIS ACTION NOT ONLY PREJUDICES THE US SUPPLIER BY COMING AS IT DID A FEW WEEKS BEFORE THE CONTRACT AWARD, BUT IT ALSO PUTS THE EXIM AND US SUPPLIERS IN GENERAL IN THE POSITION OF APPEARING UNRELIABLE BEFORE THE CUSTOMER.

5. WE RECOMMEND THAT THE BOARD RECONSIDER THIS CREDIT, AND WOULD APPRECIATE YOUR DETERMINING WHETHER THERE IS A POSSIBILITY THAT THIS BE DONE. WE ARE FACING A TWO-DAY DEADLINE GIVEN BY AYEE TO TRW. IF YOU COULD ADVISE US BY TELEPHONE THAT THE BOARD WOULD RECONSIDER--I AM NOT TALKING ABOUT A DECISION TO RENEW THE CREDIT BUT SIMPLY TO RECONSIDER THE ISSUE--WE WILL GO TO AYEE WITH THIS INFORMATION AND ASK THEM TO DELAY DISQUALIFICATION OF TRW A FEW MORE DAYS UNTIL THE BOARD HAS HAD A CHANCE TO REVIEW THE CASE. IT WOULD BE MOST HELPFUL IF YOU COULD GIVE US A DATE WHICH WE CAN USE WITH AYEE BY WHICH THE BOARD IS LIKELY TO BE ABLE TO RE-EXAMINE THIS CREDIT.

6. I UNDERSTAND THAT IN SPITE OF ARGENTINE'S DIFFICULT OVER-ALL SITUATION, THAT BANK REMAINS WILLING TO CONSIDER CREDIT APPLICATIONS ON A CASE BY CASE BASIS. THIS WAS MY UNDERSTANDING FROM FROM OUR CONVERSATION AND ECON COUNSELOR'S UNDERSTANDING OF CHAIRMAN CASEY'S SEPT. 23 REMARKS AT MEXICO CITY COMMERCIAL CONFERENCE. WE WOULD ESPECIALLY WISH TO STRESS FOLLOWING IN THIS INSTANCE:

A) IS IT TRUE THAT HERMES PREPARED OFFER FINANCING? IF SO, SEEMS UNFORTUNATE US FIRMS SHOULD LOSE BUSINESS FOR LACK SIMILAR SUPPORT. IF NOT, THEN THIS INFORMATION WOULD BE VITAL FOR US TO KNOW ASAP.

B) WHILE EXIM MAKES OWN DECISIONS, EMBASSY REGARDS AYEE AS LIMITED OFFICIAL USE

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MINIMUM RISK IN ARGENTINA SINCE PROGRAM OF ELECTRIC POWER GENERATION AND DISTRIBUTION HAS TOP PRIORITY WITH GOA AND IN OUR OPINION WILL CONTINUE HAVE SAME PRIORITY REGARDLESS ANY POSSIBLE FUTURE CHANGE OF GOVERNMENT. IT APPEARS TO US THAT GOA WILL NOT ALLOW LACK OF FINANCIAL AND OTHER RESOURCES TO HINDER DEVELOPMENT OF AYEE PROGRAM.
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